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**HRM PRACTICES FOR MANAGING ETHNIC DIVERSITY:
THE EVIDENCE FROM RUSSIAN COMPANIES**

Master's Thesis by 2nd year student
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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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ABSTRACT

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Table of contents

Introduction	7
Chapter 1 Theoretical background	9
1.1 The concept of diversity and ethnic diversity	9
1.2 Ethnic Diversity Management in organizations.....	13
1.2.1 Ethnic diversity management objectives.....	13
1.2.2 Ethnic diversity management practices.....	16
1.3 The importance of context in ethnic diversity management.....	20
1.4 The impact of EDM on firm performance	22
Chapter 2 Research methodology.....	27
2.1 Data collection	27
2.2 Respondent selection	28
2.3 Data analysis	29
Chapter 3 Conclusion and implications.....	30
3.1 Results of Data Analysis and Discussion	30
3.2 Conclusion	37
3.3 Theoretical contribution.....	38
3.4 Managerial implications	38
3.5 Limitations	41
References	42
Appendix	48
Appendix 1. Interview guide	48

Introduction

Nowadays human resource management (HRM) plays one of the key roles in the success of companies and their performance. The importance of HRM in organizations has been growing in the recent years and was significantly influenced by global changes and tendencies. Due to growing globalization and increasing workforce diversity, companies nowadays are facing new challenges in the area of HRM that are connected to the management of more and more diverse personnel (Alcazar et al, 2012; Sukalova et al, 2020). This diversity is presented through different aspects including age, gender, ethnicity, etc. Even though there is an emphasis put on diversity management studies and practices, some diversity dimensions, such as ethnic diversity, still lack detailed approach in terms of both theoretical and practical background (Wrench, 2016).

The growing importance for the companies to be flexible and competitive in the market requires the adaptation of organizational strategy to the ethnic diversity. This task creates challenges in HRM and requires companies to take ethnic diversity into account.

Furthermore, it is agreed that HRM practices are significantly affected by the local characteristics of the particular country or region due to various historical, legislative and other features (Hennekam et al. 2019). Many studies focus their research problem on particular region or country due to the fact that HRM strategy in general and ethnic diversity management have to be adapted for the local context (Lee and Kim, 2019).

Nowadays Russia is getting more integrated into the global economy by increasing international cooperation and network expansion. Many companies prefer to attract international specialists and have to integrate them into the company. Even though, the current worldwide trend supposes the significant growth and development in the area of ethnic diversity management and adoption of new effective practices, Russian companies are still lagging behind in their HRM when it comes to diversity management in general and ethnic diversity management in particular. Despite to the fact that Russian business is used to the multiculturalism of employees due to the country's ethnical diversity and multinationalism, dealing with foreign employees can still be challenging.

There are some studies (Georgiadou etc, 2019; Singh, 2007; Brammer et al., 2007) that raise up the question about the implications of the findings, though practical recommendations are very general and there are no enough managerial implications for human resource field.

Therefore, the **problem** of this research is that the topic ethnic diversity management (EDM) in Russia has not received sufficient attention from researchers and practitioners. The purpose of this master thesis is to identify how ethnic diversity is managed in Russian companies

and which HRM practices for managing ethnic diversity are used and why. In order to reach the goal of this paper, the following **research questions** are raised:

1. Which EDM practices are prevailing in Russian companies for managing ethnically diverse workforce?
2. Do EDM practices have any effect on firm performance?
3. What factors influence EDM practices in Russian companies?

There are several **objectives** in this study:

- 1) Analyze the existing theoretical background on EDM
- 2) Discuss the managerial practices in the area of EDM used worldwide
- 4) Collect information about the current situation on EDM in Russia
- 3) Analyze the collected data and create recommendations for Russian companies

The results of this study provides recommendations for EDM practices that might be useful and helpful for the companies operating in Russia. This will enable them to benefit from ethnic diversity and be competitive in the market. The implications can be used by companies to plan and develop EDM strategy and achieve better results.

Chapter 1 Theoretical background

The subject of diversity and diversity management in organization has been actively studied in the recent years. Traditionally, diversity management is considered as a part of human resource management (Alcazar et al, 2012; Sukalova et al, 2020). There is a number of topics dedicated to the major challenges and goal of implementing diversity policies in organizations (Shen et al, 2009). Also there are studies that are focused on the main practices (Shen et al, 2009) that companies implement at the different levels of their human resource management as well as the effects these practices have on the companies' performance (Lee, Kim, 2019; Benschop, 2001; Bezrukova, 2002).

However, the number of studies on ethnic diversity management is limited. Usually ethnic diversity is analyzed as a part of diversity management in general and only few researches focus their studies on ethnic diversity as the main topic. For example, Cheong et al. (2014) studied ethnic diversity and performance, Hennekam et al. (2019) studies the importance of context in developing ethnic diversity management policy.

This brief and initial overview concludes that even though the subject of diversity has been studied in the recent years, there is still lack of common approach to this topic. Research on ethnic relations is intrinsically interdisciplinary: sociology, political science, history, economics, geography, demography, psychology and law are relevant. Within each social scientific discipline, there are a variety of approaches, based on differences in theory and methods (Gergiadou, 2019). The ethnic diversity lacks theoretical and practical knowledge and needs to be considered additionally. Below the overview of the main studies and research is presented.

1.1 The concept of diversity and ethnic diversity

Since the concept of diversity has been actively studied over the past few decades, it can be assumed that it is strictly defined and clear. However, there exist various definitions depending on the author, organization and country as well as the context of the study. Some authors put emphasis on gender, physical disability, nationality, religion while others focus on sexual orientation, person appearance, social and economic status. For this reason, it is important to discuss different approaches to the concept of diversity, understand its dimensions and types and define the place of ethnic diversity in this concept.

Cox (2001) defined diversity as the variation of social and cultural identities among people who exist together in a defined employment or marketing setting while William and O'Reilly (1998) defined diversity as the degree of heterogeneity among team members on specified

demographic dimensions, their theory aims to explain how such heterogeneity affects team processes and performance.

Mazur (2010) understands diversity as a subjective phenomenon, which is created by group members themselves who categorize others as similar or dissimilar based on the basis of their different social identities. Gardenswartz & Rowe (1994) considered diversity as a multilayer term that includes four main layers that surround a person (Exhibit 1).



Exhibit 1: Gardenswartz & Rowe, Diverse Teams at Work, 2003

In the core of his diversity model there is Personality, or the way a person behaves in line with his or her personal traits and characteristics. Personality has big influence on other layers while other layers influence it as well.

The closest layer to the Personality is internal dimensions that cannot be controlled by an individual and that are visible and detectable easily. They include gender, sexual orientation, physical ability, ethnicity, race and age might become a cause of discrimination and biases (Washington & Company, 2008).

The next one is External dimensions that describe the person's individual life choices such as geographic location, income, personal habits, recreational habits, religion, educational background, work experience, appearance, parental status, marital status (Homan et al., 2007).

Finally, the Organizational Dimension includes organizational culture characteristics that people cannot significantly change or affect functional level/classification, work content field,

division/department unit/group, seniority, work location, union affiliation, management status. This dimension reflects the opportunities for employees, such as development of the company, personal recognition, and possibility to be promoted.

Besides the model described above, another approach is focused mainly on the personality and internal dimensions. Scholars highlight different types of diversity existing: ethnic, religion, nationality, cultural, disability and age (Clair, Beatty and MacLean, 2005; Pasad, Pringle and Konrad, 2006). These types of diversity were presented as dimensions and were explained by many studies (Webber and Donahue, 2001; Heitner, 2006; Mitchel, 2015).

Wrench (2016) highlights primary and secondary dimension of diversity. Primary dimensions are human differences that are inborn and have an important impact on early socialization and life. There are six primary dimensions: gender, ethnicity, race, sexual orientation, age and mental or physical abilities and characteristics.

The gender dimension looks at the social roles and different characteristics of an individual that are received on a basis of gender. Webber and Donahue (2001) claim that the roles of men and women tend to change over time and vary in different cultures. It is common that gender defines the constraints, responsibilities as well as opportunities and advantages of an individual. According to Mor-Barak (2005) gender equality is created when company focuses on equal opportunities of men and women connected to responsibility, rights and opportunities.

The ethnicity dimension focuses on shared historical experiences, cultural and social backgrounds of people. Ethnic group is understood as a composition of people that share these experiences and backgrounds with each other. Ethnicity is more about cultural factors rather than the biological factors (Collier, Honohan and Moene, 2001; Durska, 2009; Masella, 2013).

Several papers mention the nationality dimension (Nielsen and Nielsen, 2012; Bell et al., 2010) that relates to the country of birth of a person or a country that he or she has specific ties to. Nationality implies same traditions, language, history and usually same territory of living.

The age dimension tries to explain the differences between generations working within the same company or department. According to McQuerrey (2014), age demographics are considered to be an important aspect of diversity management. Companies that have different age groups in their workforce can create a composition of employees with different skills and mindsets, which might be very beneficial for the company (Backes-Gellner and Veen, 2009).

Another important dimension is the disability dimension. Various forms of disability are studied by researchers including: physical (chronic illness and reduced mobility), sensory (hearing and visual handicap) and emotional (depression and other psychological diseases). These features influence the tasks and workplace demands (Nafukho, Roessler, & Kacirek, 2014). Furthermore,

they affect the attitudes and expectations from the colleagues as well the perception of the disabled people of themselves (Santazzi and Waltz, 2016; Williams-Whitt and Taras, 2010).

Those dimensions shape our basic self-image and our fundamental world views. Secondary dimensions are perceived as less visible and include: educational background, geographic location, religion, first language, family status, work style, work experience, military experience, organizational role and level, income and communication style.

Religion dimension consists of different religions developed all over the world. Dow et al. (2008) mentions that this dimension can be applicable in case employees practices their religious beliefs, although these beliefs differ from those of the overall workforce.

Those factors impact our self-esteem and self-definition (Mazur, 2010). Later research follows the trend towards definitions of a multiplicity of diversity.

The tertiary dimensions are connected to the individual identity. It is the vast array of qualities that lie beneath the surface that provides the real essence of diversity to be tapped into, and these have not until recently been acknowledged. The more detailed table on diversity dimensions is shown below (Table 1).

Primary dimensions	Secondary dimensions	Tertiary dimensions
<ul style="list-style-type: none"> ○ Race ○ Ethnicity ○ Gender ○ Age ○ Disability 	<ul style="list-style-type: none"> ○ Religion ○ Culture ○ Thinking style ○ Family status ○ Lifestyle ○ Economic status ○ Political orientation ○ Work experience ○ Language 	<ul style="list-style-type: none"> ○ Beliefs ○ Assumptions ○ Perceptions ○ Attitudes ○ Feelings ○ Values ○ Group norms

Table 1 Dimension of diversity

Source: Mazur, 2010

Evidently, the concept of diversity can have different approaches; however the list of characteristics stays the same and provides the comprehensive set of personal traits. In this regard, the ethnicity is either the primary or the internal dimension of diversity that cannot be changed or affected.

Furthermore, since Gardenswartz & Rowe studied diversity in terms of organization, they included the external aspects such as organizational culture. The following study will be devoted to the research on organizational culture in the area of ethnic diversity and its effects on the company because the number of studies that separate dimensions and focus on ethnic diversity in

particular is limited. Many practitioners and academics admit that the studies on ethnic diversity management theory and practice are behind other diversity dimensions.

1.2 Ethnic Diversity Management in organizations

Pitts et al. (2010), defines diversity management as an organizational response to the existing workforce diversity and to the related challenges and opportunities. Even though, traditionally, diversity management is analyzed as a part of human resource management and does not make a difference between different dimensions of diversity, there is a number of studies focused particularly on gender, race, ethnicity, etc. According to Pitts et al. diversity management initiatives address the concerns and interests of underrepresented groups of individuals, due to race, gender, religion etc., but some are also centered around other dimensions of diversity, like age, professional background, religion and sexual orientation, which in turn could potentially affect work-related outcomes. (Georgiadou et al., 2019). This definition demonstrates that in this wide term there is place for more detailed analysis.

In terms of ethnic diversity, as it was mentioned before, the researchers admit the lack of theoretical and practical knowledge in ethnic diversity management knowledge; however some aspects are covered by scholars.

First, there is a number of studies focused on ethnic diversity on corporate boards. They are focused on qualitative analysis regarding the ethnicity level of boards in various sectors. For example, Singh (2007) studied the dynamics of presence of ethnic minority groups in FTSE 100 company boards in UK. Brammer et al. (2007) also investigated the ethnic and gender diversity of the corporate board of UK PLCs companies with the emphasis on links to board size and industry characteristics. The main outcomes demonstrate that there is no progress in level of ethnic minorities on boards (Singh, 2007), and that ethnic diversity on boards in UK is limited (Brammer et al., 2007). Furthermore, one of the important conclusion is the lack of sector variation in ethnic diversity which suggests that there is no evidence that ethnic diversity on boards is different in various sectors (Brammer et al., 2007). This understanding will be relevant for this research.

1.2.1 Ethnic diversity management objectives

Since ethnic diversity management by definition is closely connected to the overall diversity management in organizations the objectives for implementing both are closely connected.

The concept of ethnic diversity management is based on the assumption that diversity of employees has a positive impact on the company's economic results and overall working climate.

There is a range of objectives organizations want to achieve through effective diversity management. These objectives can be divided into two categories: externally and internally driven.

The externally driven objectives are enforced by legislation and imply the compliance with such legal principles as EEO (Equal Employment Opportunity) and other laws in the area of non-discrimination. These laws vary depending on the particular country or region and are a part of the context of the diversity management including the policies aimed at ethnic minorities. In this case effective diversity management has been used to provide a legally defensible position against any charges of discrimination by having a diverse workforce that represented the local community.

The internally driven objectives are connected to the positive effects diversity has on various aspects of the company's results. The objectives include mainly creativity, flexibility, employee attraction, employee retention and better marketing capabilities (Shen, 2009). They are approached through the efforts to create an atmosphere of equality and a fully inclusive organizational culture at work.

Ortlieb et al. (2013) looked into this area of research in more details and studied the motivations for the company to employ ethnic minorities. His approach is based on the resource dependency theory and implies the creation of a model that explains company's motivations via the set of resources obtained from ethnic minorities. This model is based on the basic assumption of the resource dependence theory (Pfeffer&Salancik, 1978), that the quest to accrue critical resources drives organizational strategies including human resources.

The authors highlighted two types of resources: potentially critical resources immediately controlled by ethnic minority individuals and critical resources controlled by other providers to which ethnic minority employees facilitate access. These resources were divided into four categories as shown in the matrix where the horizontal dimension refers to the degree to which an individual's ethnic background is relevant for specific job tasks and the vertical dimension includes the relevance of particular competences. Combining the two dimensions yields the four resource categories: competences related to an ethnic background, competences not related to an ethnic background, mere labor, and ethnic background itself (Exhibit 2).

Ethnic background itself. The symbolic effects of ethnic minority employees on internal and external stakeholders such as internationality and authenticity.

As for the critical resources controlled by other providers to which ethnic minority employees facilitate access they include the following:

Labor market resources. Employment of ethnic minorities creates the positive image of being an employer that obeys fairness dictates and discrimination prohibitions. This signal, as well as an image of internationality, can attract and retain qualified personnel (Benschop, 2001; Newburry, Gardberg, & Belkin, 2006). In addition, the internal labor market provides critical resources that can be accrued through the employment of ethnic minorities.

Consumer market resources. Ethnic minorities' competences can facilitate access to customers, both to ethnic customer segments in the domestic market and to international markets. Their assignment to customer contact jobs has been shown to increase company profitability (Ortlieb, Sieben, & Sichtmann, 2013).

Supply market resources. Employing ethnic minorities in the purchasing function can support purchasing strategies and practices—particularly if organizations engage in supplier diversity initiatives and strive to expand purchase relationships with ethnic minority businesses (Theodorakopoulos, 2013).

Financial market resources. Diversity oriented companies are more likely to have higher investment ratings and open access to the capital.

Interfirm network resources. This is useful in the case of global relationships and foreign market entry strategies, ethnic minority employees can facilitate partner acquisition and stable network relations.

1.2.2 Ethnic diversity management practices

Diversity policies that are focused on gender, age, disability and sexual orientation have flourished in recent years. Nevertheless, the policies aimed to approach ethnic diversity in organizations are still lagging behind (Wrench, 2016).

Taking into account the fact, that the studies on ethnic diversity management are underdeveloped, there is no common approach to describe and classify them. For this reason, in order to structure the following analysis and an overview of ethnic diversity practices, they will be considered in accordance with the main classification of key HRM practices in a company that include recruitment and selection, training and development, performance management and pay (Shen and Edwards, 2006).

1. Recruitment and selection

At this part of EDM there is a general goal of having an equal opportunity for any person to enter the organization. In order to achieve this goal companies implement various approaches in terms of recruitment and selection that include zero tolerance of workplace discrimination, as well as special programs of recruitment of ethnically diverse employees. It is essential that these programs are supported by the top management of company.

As a part of their recruitment strategy of ethnic minorities companies implement programs aimed at reaching out students. For example, Pearson has developed an internship program that recruited students from ethnic minority background for six weeks with a future opportunity to stay as a full-time employee (Singh, 2008). IBM is closely working with schools as a part of their mentoring of talented teenagers.

Some organizations implement quotas for employment of particular ethnic groups or other minorities. This kind of practices are introduced at macro-national level of some countries in order to increase the ethnic representation of minority groups. Even though, this approach achieves the quantitative goals in the area of ethnic diversity, these policies are perceived as rather controversial in terms of efficiency and have negative outcomes (Forstenlechner et al., 2011).

The most commonly used practices start with recruiting process and are connected to vacancies advertising. Companies use advertising in ethnic newspapers, magazines and websites in order to increase the pool of qualified ethnic candidates (D'Netto et al., 2014). Furthermore, recruiters from ethnic backgrounds can help convince ethnic candidates that the organization has a diversity-friendly environment (Cole, 2002). Ethnically diverse employees in both selection panels and HR department have a positive effect on the EDM.

Finally, as a part of effective EDM firms maintain statistics of recruitment, promotion and turnover for ethnic groups and compare proportion of ethnic employees with the labor market, which will identify processes requiring intervention and monitor progress, as interventions are implemented (Jayne and Dipboye, 2004).

2. Training and development

EDM practices in the area of training and development do not only apply equal opportunities for all employees but also include various trainings connected to diversity in firms. Diversity training and development help to improve employee morale and job satisfaction (Roberson et al., 2003).

Companies that have developed EDM strategy include ethnic diversity awareness trainings and value sharing workshops as a part of their program. Both minority and mainstream employees

can benefit from diversity awareness training, which helps to improve the effective integration of diverse group members.

Another aspect of training includes special courses for ethnic minorities that have a language barrier. For example, some Australian companies provide their employees with non-technical training that focuses on language, interpersonal skills and effective working in a multicultural environment (D'Netto et al., 2014).

As for development, the most commonly used practices include coaching, mentoring and open communications. Scholars have suggested that mentoring could be another strategy for managing ethnic diversity since it facilitates the development of employees and enables different demographic groups to move through the invisible barriers and advance in their careers (Ragins, 2002). Mentoring and coaching imply the development of individual training and development plans for ethnically diverse employees.

3. Performance appraisal

Performance appraisal in terms of EDM is strongly focused on non-discrimination principle for both ethnic minorities and other employees. Performance management requires appraisal practices to be objective, job-relevant, fair and equitable to all employees (Schuler, Dowling and DeCieri, 1993). For ethnically diverse workforce the performance appraisal practices have to be objective and fair practices for everyone, focused on performance and not on personality (Fulkerson and Schuler, 1992).

Appraiser's cultural background should not influence ratings and ethnically diverse employees do not have to be higher performers in order to demonstrate company's EDM oriented approach (D'Netto et al., 2014).

From the technical point of view, representatives of ethnic minorities have to be included into appraisal panels (D'Netto and Sohal, 1999). Finally, performance criterion includes the ability to deal with ethnic diversity.

4. Reward and compensation

Past research has found that despite legislation and efforts to ensure pay equity, discrimination in employment compensation continues to be an active issue (Graham, Hotchkiss and Gerhart, 2000). In order to reduce it, the compensation structure, wage determinants and benefit schemes should be designed not only on common principles but have to also consider each individual in terms of their ability, knowledge and skill (Brickson, 2000).

On one hand, remuneration system has to encourage cooperation, but in the other hand, it needs to reward an outstanding individual performance of each employee and ethnic minorities in particular (D'Netto et al., 2014).

The table below summarizes the commonly used EDM practices described above (Table 2).

HRM activity	Main practices
Recruitment&Selection	<ul style="list-style-type: none"> ➤ Top management supports diversity in recruitment ➤ No discrimination in the recruitment process ➤ Recruitment quotas ➤ Job advertisements in ethnic newspapers ➤ Special programs to recruit ethnically diverse employees ➤ Comparing proportion of ethnic employees with the labor market ➤ Ethnically diverse employees in the HR department ➤ Ethnic diversity on the selection panel
Training&Development	<ul style="list-style-type: none"> ➤ Diversity awareness training and value sharing workshops ➤ Language courses ➤ Training and development opportunities for ethnic employees ➤ Individual training and development plans ➤ No discrimination in selection of employees for training and development programs ➤ Mentoring programs for ethnically diverse employees
Performance appraisal	<ul style="list-style-type: none"> ➤ Ability to deal with diversity is a performance criterion ➤ Objective, job-relevant, fair practices of performance appraisal ➤ Multicultural employees do not have to be higher performers ➤ Appraiser's cultural background does not influence ratings ➤ Ethnic minorities are part of appraisal panels
Reward&Compensation	<ul style="list-style-type: none"> ➤ No discriminative equal pay ➤ Cooperation encouragement ➤ Individual outstanding performance is rewarded

Table 2 The main EDM practices

The EDM practices listed above include some of the common approaches, however this list is not exhaustive. It is important to state that there are various factors that affect the EDM practices in every company, which considered in the next chapter.

1.3The importance of context in ethnic diversity management

Many studies on the correlation between company results and diversity management are conducted in the form of case studies and are focused on particular area or country. There are studies on diversity management in Brazil (Chiapetta Jabbour et al., 2011) that cover major challenges and benefits of diversity management in Brazilian companies by assessing the role of human resources. Forstenlechner et al. (2011) studied diversity management in UAE from institutional perspective. Shen (2009) was focused on practices in Australia while Sukalova (2019) considered sustainable diversity management in Slovakia. All of the studies have different objectives and outcomes, however they all consider the context as a significant part of the research and one of the main factors that define the outcome of their study.

Klarsfeld et al. (2012) states that the country's unique cultural and historical contexts define the way diversity management is defined and approached. Shen (2009) agrees that the predominant diversity issues in each country are different. For example, multiculturalism has always been the most important dimension of diversity in Western countries, including the EU nations, Australia and New Zealand, where there are a large number of international migrants with diverse cultural backgrounds.

With the admitted importance of context importance of HR management in general and diversity management in particular, there is no commonly used method to include the context into research methodology. However, over the past years scholars have been using the relational framework in order to identify and classify the most relevant factors.

Syed and Ozbilgin (2009) used the relational framework in order to understand and contextualize ethnic diversity management in France. This framework adopts a contextual and multilevel conceptualization of diversity management, distinguishing between macro-, meso- and micro-level factors of diversity. It also considers historical context as one of the factors. This relational perspective develops an integrated and contextual approach to diversity management (Exhibit 3).

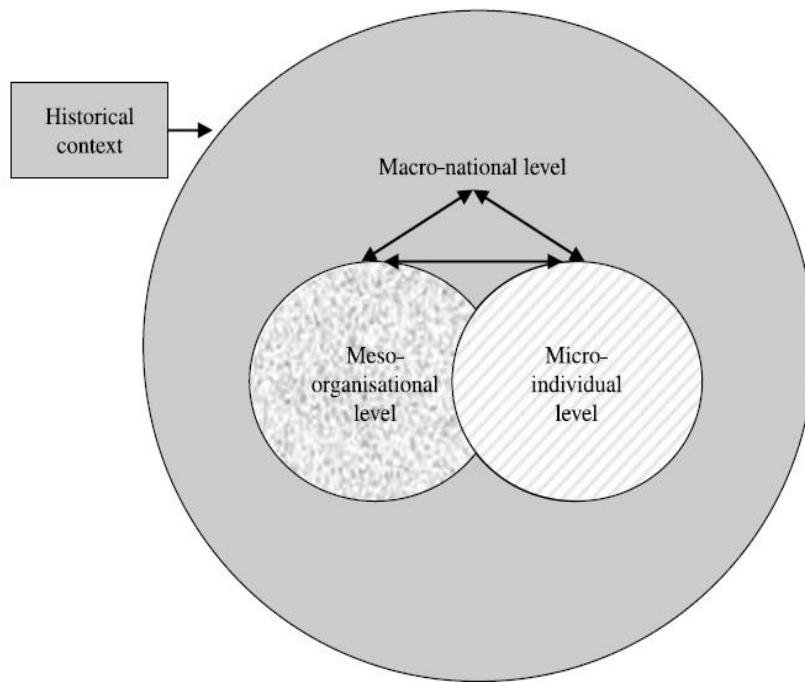


Exhibit 3 The relational framework

Source: Syed and Ozbilgin, 2009

Macro level factors takes into account the societal and structural conditions that have an influence on different forms of disparity and discrimination, career trajectories and boundaries. This includes legislative framework in which the company exists and which defines its diversity strategy objectives as mentioned in the paragraph 1.2.

At the meso level, researchers look into organizations an analytical entity. Meso-research pertains to the relationships that occur between organizational contexts and component behavior, and examines how those relationships affect outcomes. At the micro-level of analysis, the focus is on individual aspirations and identities of the employees. To summarize:

Level	Factor
Macro level	Legislative framework - laws, institutions, culture and political economy
Meso level	Organizational approaches towards diversity
Micro level	Individual aspirations, identity and agency

Table 3 The factors of relational framework

The relational framework shows that the context in which a certain approach towards ethnic diversity takes place is dynamic (Pringle and Ryan, 2015) and forms a complex whole of interrelated factors (Ahonen et al., 2014). For this reason, in order to understand the rationale of implementing various diversity practices it is essential to understand the context presented by three level relational framework.

The model described above provides a framework for context analysis of any country or region and can be used for an overview of Russian context. Although relational framework

suggests several levels of factor, in this research it is essential to look into two of them: historical context and macro-national level.

This historical context of Russia in terms of ethnic diversity significantly affects the current state of this subject. One of the main characteristics of Russia is high level of internal diversity since it is a multinational state with almost 200 nationalities and ethnic groups, including indigenous peoples, national republics and millions of migrants from neighboring countries (Antonova, 2007). About 20% of current Russian population, or more than 30 million people, can identify themselves as being from an ethnic minority background.

Furthermore, it is important to include people from the former Soviet republics such as Armenians, Azerbaijanis, Georgians or Ukrainians. Even though people from these countries are included in various ethnic groups, their past presence in USSR makes the cultural gap smaller (Protsyk, O., & Harzl, B., 2013). Taking into account these facts, it is important to understand that EDM practices are significantly affected by historical context especially in such a multinational country.

As for the macro-national level and the factors it describes, it is mostly devoted to the legislative framework of ethnic diversity. In this case, the legislation does not have any special requirements in terms of EDM practices. There are no quotas or other rules regarding the recruitment of ethnically diverse employees (Antonova, 2007). The legal framework provides equal opportunities and focuses on non-discrimination principle. With the historical context and cultural features, Russian ethnic diversity is an essential part of local business environment.

Nevertheless, these characteristics of context raises questions regarding the EDM practices and their implementation in Russian organizations.

1.4 The impact of EDM on firm performance

Scholars are beginning to build theories regarding the impact of diversity on workplace outcomes (van Knippenberg et al., 2004). Ethnic diversity is seen as a moderator of the relationship between diversity in the workplace and outcomes such as working relationships and performance (Kochan et al., 2003). When managed effectively, ethnic diversity has been found to achieve outcomes such as better utilizing talent and increasing creativity leading to better overall performance (Peretz et al., 2015). On the other hand, some literature mentions the negative effects of ethnic diversity (Hostager and De Meuse, 2008; Acosta 2004). However, the literature suggests that the disadvantages of diversity are generally related with the assumption that it fundamentally bears a negative impact on the overall organizational performance (Richard, Barnett, Dwyer, & Chadwick, 2004). Shen and colleagues (2009) contribute to this argument by arguing that the

negative effect that has been attached to workforce diversity is not actually due to workforce diversity itself, but rather of poor diversity management (Georgidau, 2019).

In order to see the impact the ethnic diversity has on firms and their performance researchers looked at different aspects of company's performance. Benschop (2001) analyzed individual, group, and organizational performance. Paauwe and Boselie (2005) had a distinction between three main groups of outcomes that have to be mentioned in terms of EDM impact on firm performance: financial, organizational, HR-related outcomes.

Financial performance of companies is a common indicator to analyze for identifying the influence of EDM. Although Ely (2004) showed no significant relationship between ethnic diversity and objective measures of performance such as sales revenue, customer satisfaction, and sales productivity; many other researchers find the correlation in their empirical studies. In addition, researchers agree that financial indicators such as profit are controversial to assess the effect of HRM in general and EDM in particular since those indicators are being influenced by a whole range of factors (both internal and external). Only few studies explored the effect of HR practices on performance in the correct way by assessing HR practices at one point in time and relating them to subsequent performance (Paauwe and Boselie, 2005).

According to McKinsey (2015), there exists a statistically significant connection between diversity and financial performance. A study of the group of 366 companies showed that the companies in the top quartile for racial/ethnic diversity were 35% more likely to have financial returns above their national industry median (Exhibit 4).

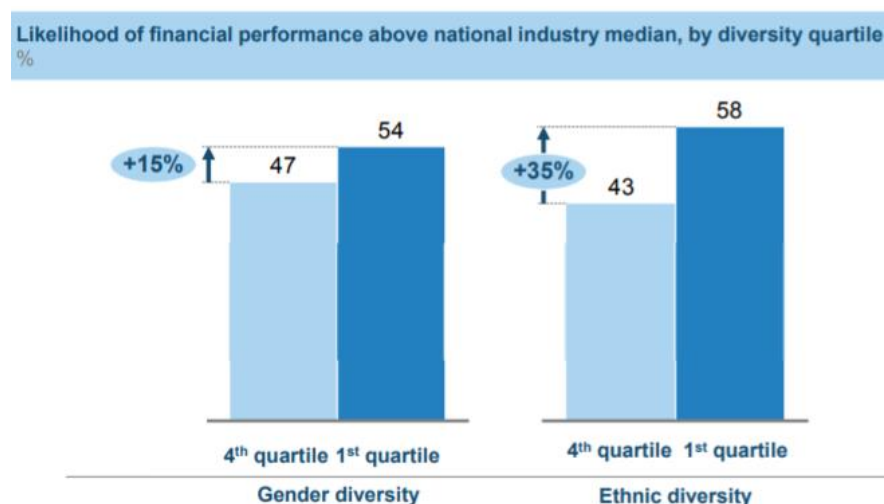


Exhibit 4 How diversity correlates with better financial performance

Source: McKinsey Diversity Database

This is confirmed by the fact that reverse is also true, and companies in the bottom quartile in both gender and ethnicity underperformed the other three quartiles (Exhibit 5).

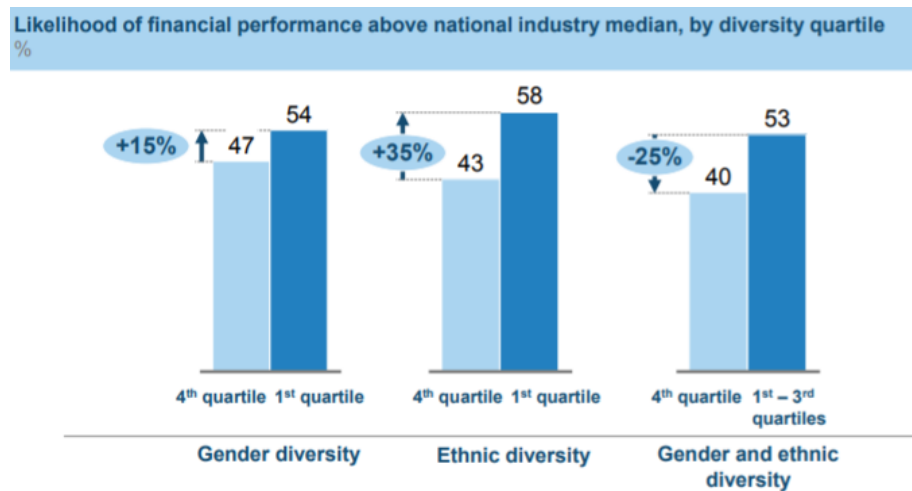


Exhibit 5 How diversity correlates with poorer financial performance

Source: McKinsey Diversity Database

Furhtermore, above-median financial performance was achieved by a higher percentage of companies in the top quartile than the bottom one for ethnic diversity in the regions and countries shown below (Exhibit 6).

Region	Top quartile ethnic diversity	Bottom quartile ethnic diversity
Overall	58%	43%
United Kingdom	61%	45%
United States & Canada	61%	41%
Latin America	53%	47%

NOTE: Includes 186 organisations in United States and Canada, 107 in the United Kingdom, and 73 organisation in Latin America (67 from Brazil)

Exhibit 6 Percentage of the companies with EBIT above national median by quartile

Source: McKinsey Diversity Database

The McKinsey research demonstrates the positive impact ethnic diversity has on company's performance indicators.

Another study conducted by Cheong et al. (2014) was focused on the impact if ethnic diversity in corporate boards on firm performance. The research found that ethnicity strongly influence the corporate environment with a significant and positive relationship between the level of ethnic diversity and a firm's financial performance. Another outcome was that the level of ethnic diversity in the Board of Directors does not have any effect on a firm's book measure of financial performance.

The second pool of indicators includes organizational outcomes that consist of productivity, quality, and efficiencies. Some scholars study these aspects via team performance. For example, Oerlemans (2009) analyzes group results through evaluations of team tasks, ratings of perceived team effectiveness, and objective measures of team performance (sales revenue, customer satisfaction, and sales productivity). Team performance, or group performance, was also mentioned by Benschop as performance indicator for diversity management. According to McLeod and Lobel (1992), ethnically diverse groups produced higher quality ideas compared to ethnically homogeneous groups. Earley and Mosakowski (2000) research showed that effective team-performance depends on both time and the degree of ethnic diversity in work-groups. O'Reilly, Williams, and Barsade (1997) agreed that ethnic diversity has a positive relation to creativity and implementation ability in teams.

The third set of indicators describes individual level characteristics such as attitudinal and behavioral impacts among employees, such as satisfaction, commitment, and intention to quit.

All in all, the studies described earlier are based on quantitative characteristics of diversity which means that the study finds correlation between the percentage of ethnically diverse employees and company's results. This outcome is essential for general understanding of ethnic diversity effects, although it does not take into account the EDM practices and how they affect organizations.

In order to clarify the subject, it is important to distinguish between ethnic diversity itself and ethnic diversity management since ethnic diversity is about the existence of ethnically diverse workforce and its quantitative characteristics while ethnic diversity management includes various strategies that company implements and helps to assess its efficiency through company's performance.

Based on the empirical results of the direct impact of HRM on firm performance there is now an assumption regarding the connection between EDM practices and company's results. The ongoing discussion about the effects of EDM has advocates for both positive outcomes and negatives ones. While some literature suggests that EDM practices have positive effect on company, others point out the negative effects diversity and diversity management brings to company's performance (Richard, Barnett, Dwyer, & Chadwick, 2004). Shen and colleagues

(2009) contribute to this argument by stating that the negative effect that has been attached to workforce diversity is not due to poor diversity management (Georgiadou et al., 2019). Furthermore, as it was said earlier ethnic diversity could bring positive outcome when it is managed effectively (Peretz et al., 2015).

Furthermore, there still exist limitations due to the fact that researchers have not yet come up with a definition about how to operationalize and measure the impact of ethnic diversity management in organizations and society as a whole (Ozgen et al., 2013).

The previous research demonstrates that although there are studies on ethnic diversity effects on company's performance, there is a significant research gap in the area of EDM practices' effect on organizations.

Based in the literature review presented above there is a research gap that leads to the research questions stated below:

Q1: Which EDM practices are prevailing in Russian companies for managing ethnically diverse workforce?

Q2: Do EDM practices have any effect on firm performance?

Q3: What factors influence EDM practices in Russian companies?

This research gap is filled by answering the research questions via qualitative research followed by a content analysis.

Chapter 2 Research methodology

The previous chapter has covered the research gap, introduced the research questions and provided the description of literature background for the chosen topic. As it follows from previous research, ethnic diversity practices did not have sufficient attention from scholars especially in Russia. The following chapter describes the methodology that was used in this master thesis. The research of this paper was based on qualitative research method which is justified in the following chapter. Therefore, it is important to state that the chosen research methodology provides a deep understanding of the topic.

2.1 Data collection

This study has a goal to identify how ethnic diversity is managed in Russian companies, what factors influence EDM practices and what impact they have on firm performance.

To reach the goal and answer the research questions stated earlier the following research methodology was used: semi-structured in-depth interviews with the HR representatives of Russian companies. The rationale for choosing the qualitative method is that it provides deep knowledge of the subject and enables the author to analyze main trends and opinions of the company representatives.

The process of data collection includes several phases. The first one is focused on analysis of the secondary data available that describes the features of ethnic diversity management worldwide and in the country under consideration. Furthermore, there are described the effects EDM has on firm performance as well as other aspects of its functioning. In order to understand the peculiarities of Russian environment the context analysis has been conducted with the use of articles, various reports and other sources.

At the second phase, the study focuses on the selected Russian companies from different sectors and studies the general organizational information such as the size of the company, its industry and international scope, number of employees. This phase is essential for the research since it helps to make justified conclusions and create the pilot version of the semi-structured interview guide.

The third phase is devoted to a pilot semi-structured interview with an HR manager of a Russian company. The objective of this pilot interview is to check if the research gap is covered with the answers and if it enables to receive the required information. Based on the results of this interview there are changes and corrections made to the interview guide.

At the fourth stage, the study represents seven in-depth semi-structured interviews conducted with the representatives of HR department from the selected companies. The method

of semi-structured interview was chosen in order to obtain more information and to allow an interviewee to express his or her opinion in a freer manner. Since interviews are conducted in Russian language, they were translated into English and analyzed in the following chapter.

The interview guide includes several blocks of questions that cover different aspects of the research:

1. General information
2. Ethnic diversity at the workplace
3. Factors affecting EDM practices
4. Ethnic diversity effects

The interview structure is created in accordance with the main research questions and covers different aspects of EDM in Russian companies. The General information segment gives the data about a company: name, industry, number of employees. Furthermore, it includes information regarding the interviewee and identifies the presence of ethnically diverse employees as well as EDM practices, which are both essential for the study.

The second pool of questions goes deeper into the ethnic diversity in the company. This part is aimed at understanding the perception of ethnic diversity and its importance in an organization. In addition, it includes question regarding the particular EDM practices implicated in a company in different HRM areas.

The next set of questions discovers the factors that influence EDM practices and provides an opportunity to compare the findings with the theoretical background as well as to answer one of the research questions.

Finally, the fourth part of interview guide focuses on the various effects ethnic diversity has on a firm and its performance. This section allows the author to answer the second research question.

Each interview lasted on average from 20 to 30 minutes. Although, the interview guide is written in 2 languages: English and Russian, all interviews were conducted in Russian since it is the native language of all the interviewees and it was decided to use the mother tongue in order to facilitate the conversation.

2.2 Respondent selection

The sample includes seven medium-size and large companies that are operating in Russia and is limited the subsidiaries of MNCs that have particular characteristics essential for this research. At the preliminary stage of respondent selection, potential respondents were chosen with

the criteria: (1) company is an MNCs subsidiary; (2) Company has ethnically diverse employees
3) Company has EDM practices.

Finally, the pool of seven companies was chosen (Table 4).

Company X	Field	No of employees	% of ethnically diverse employees
Company #1	IT	1100	10%
Company #2	Electronics	2000	15%
Company #3	Tobacco	2500	7%
Company #4	FMCG	1500	2%
Company #5	FMCG	500	3%
Company #6	IT	900	4%
Company #7	Pharmaceutical	1200	5%

Table 4 The list of respondents

As for the representatives of companies, due to the specific area of research and the need in deep understanding of the topic, the respondents were chosen from HR department of the company. Furthermore, they have to be experts in field of ethnic diversity management and have free access and actively participate in actions that are systematic, planned at the organizational level and meant to hire, develop and retain employees with ethnically diverse backgrounds.

Complete anonymity is guaranteed to all of the participants of this research.

2.3 Data analysis

All of the data that was collected is transformed into analysis and organized in the following chapter. Since the interview guide consists of open questions, the content analysis is used in order to structure the information and interpret the answers of respondents.

In conclusion, the first two chapters of this paper give the explanation of the researched phenomenon and formulate the research questions serving a ground for further analysis described in the following empirical part.

Chapter 3 Conclusion and implications

This chapter is devoted to the empirical part of this paper. It describes the main results of qualitative research and its findings. The information is structured according to the raised research questions and objectives. In order to provide and assure the accuracy of the research, the findings include participants' citations.

3.1 Results of Data Analysis and Discussion

As it was mentioned in the previous chapter, the respondents of interviews were qualified professionals in human resource management and were well informed of the topic of ethnic diversity management in the company. The knowledge and experience of each participant was sufficient to answer all question from the interview guide. The respondents were asked to share the opinion and experience regarding the EDM practices in their companies. The finding are structured in accordance with three research questions and supported by citations.

Q1: Which EDM practices are prevailing in Russian companies for managing ethnically diverse workforce?

The first part of the interview was dedicated to the general features of each company and presence of ethnic diversity. The goal was also to receive information about the EDM in a company, its perception and the level of development.

The company information requested included the industry, number of employees and the percentage of ethnically diverse workforce. The number of employees in the selected companies varies from 500 to 2500. As for the percentage of ethnically diverse employees, they account for about 2-15% of workforce. This little percentage can be justified by several factors.

First, according to the contextual analysis of Russian environment, ethnic diversity is a controversial subject that affects the perception of ethnic diversity, which was confirmed during the research. When asked about the percentage of ethnically diverse employees, all interviewees tend to distinguish between two main groups: the expatriates and CIS representatives. It is important to highlight this fact since almost all of the respondents were well aware of the % of expatriates, however, with the CIS ethnic groups, the companies could not provide the information either due to the lack of record or due to absence of these groups. The main outcome of this question was that according to Russian companies ethnically diverse employees are expatriates.

Another goal of the first part was to identify the presence of EDM practices. Most respondents gave a negative answer to this question, stating that they do not manage ethnic

diversity; however, those practices were described later in the interview. All the respondents agree that their companies do not have any specific program of EDM.

Moreover, some respondents have demonstrated their perception of EDM practices as a discriminative attitude towards different groups of people and mentioned that it is avoided as a whole:

Company #4: “We cannot and we do not want to somehow discriminate one ethnic group over another and encourage the attraction of people depending on their ethnicity. Every group is the same at selection, retention and training&development. Moreover, at performance appraisal we have global approach to prioritizing of tasks and evaluation of results”

Finally, one respondent states that in Russia EDM is not developed due to the lack of need:

Company #2: “At this point there is no business need to manage ethnic diversity in Russia”

The second part of the interview included the question regarding ethnic diversity at the workplace and the main practices implemented by the companies. First, most respondents confirm that they do not have special program dedicated to the EDM and ethnically diverse employees are a part of overall HRM strategy that is developed in the headquarters (HQ). While few companies have some level of independence, others are forced to follow the policy developed in HQ entirely:

Company #4: “Our Company is very centralized. All HRM approaches are global and they are developed by specialists on cultural communication provided by our partners” and

Company #1: “We have a very strong corporate culture that includes common core values translated through the whole company and all its local subsidiaries; however we do have some freedom in defining our HRM strategy”

EDM practices in Russian companies have significant differences if compared to the theoretical and practical approach in the world. Starting with the recruitment and selection process, it is essential to understand some features that define the EDM strategy. First, the selection process is not focused on ethnically diverse groups. Companies do not have special goals or quotas:

Company #5: “We do not have any goals of employment of ethnic groups” and

Company #1: “We do not have any quotas for employment of ethnic minorities since there is no legal requirement for that”

Another feature of ethnic diversity in Russia is that the majority of cases when the ethnically diverse employees are hired are not connected to local processes but rather comes from the HQ that allocate people for top management positions:

Company #2: “Our ethnic diversity is presented in top management of a company that is sent from our HQ. We do not select them, they are chosen in the home country of a company”

Only one company mentioned that there is a policy that expatriates are always representatives from other offices of the company:

Company #4: “We do not hire expatriates ourselves. They are always transferred from other offices of our company for various reasons”

The motives for allocating ethnically diverse employees vary in organizations. For example, they are connected with the company’s policy:

Company #2: Our HQ always put people from a home country of the company in charge of international offices. This is the approach that exists and is considered to be the most efficient in terms of control and performance”

As for the training and development program that have EDM aspect, its presence in Russian companies is not significant. All respondents confirm that company provides language courses.

Company #7: “If our employees have a desire to study Russian or any other language, we provide this opportunity to everyone”

The training and development in terms of EDM practices is about equal access to trainings and other activities provided by organization. The basic approach is non-discriminative:

Company #6: “We provide equal access to all the training and events to all employees including ethnically diverse ones. If they want to participate, there are no barriers since usually trainings or seminars are held in English”

Finally, the compensation and reward system of ethnic groups varies significantly in all of the companies that took part in this research. Since ethnically diverse employees are mostly expatriates for top or middle management positions, their compensation package provides benefits compared to the employees of the same level. The compensation package is developed by HQ and depends on the level of management:

Company #4: “Our expatriates have a very good compensation package” and

Company #3: “Compensation package is defined depending on the level of employee in a company”

Q2: Do EDM practices have any effect on firm performance?

While discussing the fact that ethnic diversity can have positive effects on a company and its performance the respondents mentioned both positive and negative effects.

The positive effects include the knowledge and expertise brought by ethnic diversity to the company. Employees tend to share their experience, provide new approaches to the tasks. Their

ethnic and cultural differences are used for better customer access and communication with clients.

As for the negative effects, there are always difficulties brought by the ethnic differences. The most important is the adaptation period that requires time:

Company #7: Sometimes it takes significant amount of time for a person to adapt to the new environment. This includes many aspects: working environment, market feature, language, etc.”

Finally, while discussing the possible correlation between ethnic diversity and firm performance not all respondents could say about the positive effects of EDM. This can be explained by low amount of employees and impossibility to analyze their impact to the firm results even for specialists in this area.

Furthermore, since ethnic diversity and EDM practices are lagging behind, it is well expected that internal analysis of diversity effects are following this trend as well.

On the other side, it is possible to draw conclusion about the indirect connection between performance and ethnically diverse employees. As it was well established earlier in this research, ethnically diverse employees are mostly presented in top management of a company. One respondent said that they are allocated accordingly with the company strategy:

Company #5: “If we need to develop particular region and there is a person who can do that, we will surely send him there and he will be able to win the market”

With this insight, the correlation exists at some extent between the top management employee from different ethnic background and company’s performance since he is the one participating in the strategy development.

The main outcome from this part of research is that although the literature and practice of companies worldwide confirm the positive effects of EDM practices, in Russian companies these effects are limited. This is caused by the lack of ethnically diverse employees and the dominance of ethnic diversity at the top positions of management that makes any analysis of effects one-sided. With the current situation of EDM companies in Russia do not receive the benefits and the positive effects they could with a good EDM strategy.

Q3: What factors influence EDM practices in Russian companies?

As in many other countries and companies, EDM practices and their adoption are affected by various factors. In Russian companies, those factors are described below.

Ethnic diversity is managed by HQ

The first factor that has influence on EDM in Russian companies comes from the main practices that are used. As it was described in the answer for the first research questions, HQ play significant role in recruitment of ethnically diverse employees that are either transferred from other offices or hired for particular positions. The motivation for recruitment of expatriates are different in all companies, however the common feature is almost total control by HQ of this process. Sometimes it has negative effect:

Company #2: "We do not have a say in this process, HQ just send new top managers every four years. Sometimes they do not know anything about the market"

The role of HQ can also be seen in other practices and overall HRM strategy. Even though it provides better understanding of the corporate culture, local offices do not take part in the HRM and EDM strategy that limits their power to approach the topic with their knowledge of local features.

Legal restriction as a recruitment factor

The first factor that affects the recruitment of ethnically diverse employees is legal restrictions. This is confirmed by all respondents that unlike Europe, in Russia the mobility of workforce is limited if speaking about international relocation. Since ethnic diversity in Russia is considered to be about employees from other countries, they all face significant legislative barriers mostly connected to the working permission.

Recruitment of ethnically diverse employees from other countries comes with bureaucratic restrictions that significantly challenge the process for both companies and employees. In order to overcome this problem, some organization narrow down their candidates pool by those who have the required working permissions:

Company #4: At the initial stage of recruitment process, we always include the question "Are you eligible to work in Russia?" This is the basic requirement so that the candidate does not face any issues in that area. We ourselves do not assist with work permissions"

Another respondent said that they are more flexible and they are able to wait until the employee gets his documents done, however, they do not assist as well. This provokes huge time gap from the termination of recruitment to the start of work for the employee.

On the contrary, while discussing the top position it is obvious that companies deal with document for this group of workers. This fact confirms the overall tendency and focus on top position with the lack of practices for other levels of the company:

Company #2: "For our expatriates we prepare everything from documents to moving arrangements. We have an entire department dedicated to that"

This approach limits the pool of potential candidates for companies and does not provide the opportunity to attract ethnically diverse employees.

Competences, knowledge and expertise

While speaking about the reasons for employment of ethnically diverse employees, the respondents agree on the talent seeking motivations. The main drivers for this activity are strongly connected to the competences and knowledge of the potential candidates. This approach to ethnically diverse employees is confirmed by the theoretical background and international practical experience in the area of EDM. According to the model developed by Ortlieb, there are different resources brought by ethnic minorities as it was described in chapter 1. It is worth describing those resources and analyze the similarities and difference in accordance with this model. First, there are competences that are not related to the ethnic background including professional knowledge, skills, abilities and work experience:

Company #7: “We are constantly looking for good professionals. If we find one in Poland for example, we will transfer him or her to Russia. Competences and knowledge is the key factor for us” and

Company #6: “We would not be able to survive at earlier stages of company presence in the market without expatriates. They gave the expertise and knowledge”

Furthermore, ethnically diverse employees, or expatriates in case of Russia, are initially perceived as top talent

Company #4: All foreign employees have high capabilities, high level of knowledge and competence. These are top talent that are carefully chosen for their expertise of the market and business”

Regarding the competences that are connected to the ethnic background, there are language skills, networks, cultural knowledge, and new approaches to tasks.

Company #1: “Sometimes we look for particular language skills or knowledge of market or customer” and

Company #7: “Foreigners provide different approaches to the tasks. They also can help with cultural features of our clients and facilitate the communication process”

Significant role is played by ethnic background itself, which is less relevant to the competences for job tasks but also brings value to the company:

Company #5: “The presence of foreign employees bring the sense of international environment, especially for young specialists. Also it provides close connection and understanding of the HQ approach to business”

Regarding the mere labor factor that includes readiness to work for a low wage and in undesired jobs, it is not present in Russian companies since ethnically diverse employees are top or middle management positions that do not tend to have these characteristics.

The costs of attraction

Since most of ethnically diverse employees in Russian companies are hired at the top position, the cost of their attraction differ significantly:

Company #4: “Employment of expatriates includes a lot of costs and it is a sign that we cannot develop local talents”

In addition, the compensation package is also an issue and a big expense for the company.

To make a conclusion the brief overview of the main findings for each research question is presented in the table below.

Research question	Main results
Q1: Which EDM practices are prevailing in Russian companies for managing ethnically diverse workforce?	<ul style="list-style-type: none"> • Dominance of expatriates at the top positions and lack or absence of ethnically diverse line managers • No developed and structured EDM system • Recruitment and selection of expatriates are controlled by HQ • The general principle of non-discrimination dominates in most HRM activities • Significant benefits in terms of compensation package for expatriates
Q2: Do EDM practices have any effect on firm performance?	<ul style="list-style-type: none"> • No evidence of direct correlation between company's results and firm's performance • The indirect influence come from the fact that ethnically diverse employees take top positions
Q3: What factors influence EDM practices in Russian companies?	<ul style="list-style-type: none"> • Ethnic diversity is managed by HQ • Legal restrictions limit the recruitment of line managers • Competences, knowledge and expertise are the main drivers for attraction of ethnically diverse workforce

	<ul style="list-style-type: none"> • The high cost of expatriates' attraction is also a restraining factor
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Table 5 The summary of findings

3.2 Conclusion

The topic of ethnic diversity management has been the core focus of this research. The main purpose was to identify how ethnic diversity is managed in Russian companies and which HRM practices for managing ethnic diversity are used and why.

This master thesis includes three parts that allow the author to reach the goal of this study, answer the research questions and provide practical implications. The first chapter includes the theoretical background and gives an overview of existing research on ethnic diversity management and the main practices implemented by different companies worldwide. Furthermore, this part puts an emphasis on the importance of studying Russian context and gives an analysis of it with the use of relational framework.

Based on the first chapter and taking into account the research gap identified in the literature review, three research questions were formulated. They were focused on the main EDM practices prevailing in Russian companies, their impact on firm's performance and the factor that define the choice of particular practices. The second chapter describes the chosen methodology the data collection and respondent selection. It gives an understanding of the following empirical part. Empirical part includes the finding of the research and provides answers to the research questions.

In the paper, the main managerial practices in the area of EDM were discussed. However, as it was discovered in this research EDM in Russia has differences if compared to worldwide approaches. First, EDM is perceived as discrimination approach so the most HRM practices emphasize the non-discrimination approach that eliminates any ethnically oriented practices. Nevertheless, ethnically diverse employees are present via the attraction of expatriates that represent ethnic diversity in Russian companies. They are usually hired or transferred by HQ and local HRM is not involved in this process. As for the results EDM has on Russian companies, there is no evidence of any correlation between company's result and EDM, however the indirect influence might come from the fact that ethnically diverse employees are taking top positions and develop company's strategy. Finally, the factors the influence EDM practices are legal restrictions, attraction of people due to their knowledge, competence and experience. However, this is also affected by the costs associated with ethnically diverse employees that restrain the attraction process.

The brief description of results answer the research questions and gives an understanding of a current state of EDM practices in Russian companies. The next step is to develop managerial implications and list the recommendation for HRs of Russian companies in the area of EDM.

3.3 Theoretical contribution

This master thesis directly contributes to the literature on EDM practices in Russia. Although the importance and positive effects of ethnic diversity have been discussed by researchers (van Knippenberg et al., 2004; Kochan et al., 2003; Peretz et al., 2015; Hostager and De Meuse, 2008; Acosta 2004; Georgidau, 2019) there has not been discussion on ethnic diversity in Russian context and the opportunity it can provide to companies in this country.

This paper identifies the main EDM practices implemented in Russian companies. Since there are no studies that describe EDM practices in details, it provides a basis for future research in terms of the tendencies and also provides opportunity to observe the changes in EDM approaches over time in a changing environment. In addition, the research not only gives ideas regarding the EDM practices but also identifies the factors that influence EDM in Russia such as the policies of HQ, legal restrictions, search for competences, knowledge and expertise. Those are the main drivers that define the current EDM strategy of Russian companies, which has not been studied previously.

Being focused on Russian context this research contributes to the works of Syed and Ozbilgin (2009) and Pringle and Ryan (2015) that put emphasis on the importance of context in the studies devoted to EDM. It also provides the practical confirmation of theoretical background.

3.4 Managerial implications

The research has shown the current situation and the main trend of EDM in Russian companies on the example of MNCs subsidiaries. Although the theoretical background and international experience demonstrates the positive effect of ethnic diversity on company and its performance, Russian companies are lagging behind in using this opportunity.

There is no EDM system in Russian companies that makes it impossible to use the benefits of ethnic diversity and to create competitive advantage. The lack of practices especially in recruitment and selection does not assure ethnic balance in the workforce. Furthermore, it limits the positive effects that companies can have.

Based on that several recommendations for Russian companies were developed. They are included in the table (Table 6) in accordance with each research questions and described in details afterwards.

Research question	Main results	Recommendations
Q1: Which EDM practices are prevailing in Russian companies for managing ethnically diverse workforce?	<ul style="list-style-type: none"> • Dominance of expatriates at the top positions and lack or absence of ethnically diverse line managers • No developed and structured EDM system • Recruitment and selection of expatriates are controlled by HQ • The general principle of non-discrimination dominates in most HRM activities • Significant benefits in terms of compensation package for expatriates 	<ol style="list-style-type: none"> 1. Development of EDM system at the local level 2. Recruitment of ethnically diverse employees at all levels of the company with an emphasis on line management 3. Develop EDM training and development program to grow ethnically diverse top management
Q2: Do EDM practices have any effect on firm performance?	<ul style="list-style-type: none"> • No evidence of direct correlation between company's results and firm's performance • The indirect influence come from the fact that ethnically diverse employees take top positions 	<ol style="list-style-type: none"> 4. Assess the effects of EDM on firm performance
Q3: What factors influence EDM practices in Russian companies?	<ul style="list-style-type: none"> • Ethnic diversity is managed by HQ • Legal restrictions limit the recruitment of line managers 	<ol style="list-style-type: none"> 5. Assist candidates in bureaucratic procedures by extension of existing expertise from top management to

	<ul style="list-style-type: none"> • Competences, knowledge and expertise are the main drivers for attraction of ethnically diverse workforce • The high cost of expatriates' attraction is also a restraining factor 	<p>candidates for middle and line management</p>
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Table 6 Recommendations

1. Development of EDM system at the local level

At this point Russian companies do not have structured and well-developed EDM system. Their ethnic diversity is managed by HQ and limited to expatriates at the top levels of management. Creation and development of local EDM system will provide better control of HRM activities in the country, will allow to use the local context and experience as well as adapt various practices with these features in mind.

2. Recruitment of ethnically diverse employees at all levels of the company with an emphasis on line management

Development of EDM system is an essential part of successful management of ethnically diverse employees. However, the most important part of EDM system in terms of Russia is recruitment and selection in order to increase the presence of ethnic diversity in organizations. The key concept is to move away from an emphasis in recruitment of only expatriates for top positions and see the potential in line managers and other employees. Companies need to enlarge the scope for candidate search for line managers from local to international.

3. Develop EDM training and development program to grow ethnically diverse top management

Companies attract ethnically diverse employees for top positions for various reasons. One of them is search for talents and for qualified managers. The policy of developing these talents locally from line managers will not only benefit the company but will create a strong pool of ethnically diverse employees with a better knowledge of local business environment.

4. Assess the effects of EDM on firm performance

With the current low level of ethnic diversity in Russian companies, it is quite challenging to assess their effect on firm performance. This research provides subjective perception of HR managers and allows to draw the conclusion of indirect correlation between the impact of participation of ethnically diverse employees in strategy development and firm results. However, with the growing presence of ethnic diversity with the help of better EDM system it will become possible to see and assess the effect of EDM. Taking into account the fact that the worldwide practice does not provide common approach to measurement of these effects, it might be useful to develop one.

5. Assist candidates in bureaucratic procedures by extension of existing expertise from top management to candidates for middle and line management

At this point one of the major challenges of ethnic diversity is various bureaucratic procedures such as work permissions. Nevertheless, there is experience and expertise in assisting with work permission, visas, etc. for expatriates. This knowledge can also be used for other candidates. This will enable a wider pool of employees to be considered for positions in a company.

3.5 Limitations

In this part, it is important to mention the limitations of this research. First, the sample size that the research is based on is relatively small ($n=7$). Although the study provides good sampling, data collection and content analysis, the findings are limited in their accuracy and do not provide exhaustive conclusion regarding all Russian companies. However, this limitation does not imply invalidity of the findings and conclusions of this paper but gives a basis for deeper research.

The second limitation comes from the fact that ethnic diversity in Russia excludes particular ethnic groups such as CIS representatives and focuses on expatriates from other countries. This fact does not enable the author to give a vast analysis of EDM practices in Russia since they are all connected to expatriates and there is a lack of ethnic balance.

Finally, the research is limited to the subsidiaries of MNCs due to the fact that EDM practices are to be found there. Companies that originated in Russia do not have EDM practices.

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Appendix

Appendix 1. Interview guide

1. General information

1.1 Company	Could you please name your company?
1.2 Job title and responsibilities	Could you please name your job position and describe your responsibilities?
1.3 Number of years in the position / in the company	Could you please say how long have you been working in this company and on this position?
1.4 Industry of the company	What is the industry your company is working in?
1.5 Number of employees	What is the number of employees in your company?
1.6 Presence of ethnic diversity	How many employees (or the part of such employees in percent) from different ethnic backgrounds are presented in your company approximately?
1.7 Presence of EDM practices	Does your company have any ethnic diversity management practices?

2. Ethnic diversity at the workplace

2.1	How do you understand ethnic diversity? What is ethnic diversity for you and your company?
2.2	What challenges do people from different ethnic backgrounds might have in an organization context?
2.3	Do you think companies should take into account ethnic diversity? Why?
2.4	Do you think companies should have managerial practices oriented at ethnically diverse employees? Why?
2.5	Please explain how ethnic diversity is managed in your company?
2.6	Could you describe the managerial practices aimed at ethnic diversity at: <ul style="list-style-type: none">- Recruitment&selection- Training and development- Performance appraisal

	- Reward and compensation
2.7	Are there any other managerial practices you have in your company that were not mentioned in the previous classification of HR activities?
2.8	What managerial practices are the crucial/ most important for managing ethnic diversity?

3. Factors affecting EDM practices

3.1	What factors define the adoption of particular practices?
3.2	Do you use other companies' experience to implement managerial practices for ethnic diversity management?
3.3	Is ethnic diversity in your company supported by the top management and corporate culture?
3.4	What barriers now exist in managing ethnic diversity in Russian companies? Worldwide?

4. Ethnic diversity effects

4.1	What effect does ethnic diversity have on the company?
4.2	Do you think that ethnic diversity influences firm performance or other KPIs? What are the benefits (for a firm) of ethnic diversity?
4.3	What financial performance indicators are affected by managerial practices of ethnic diversity management?
4.4	Are there any other indicators you analyze to observe the effects of these managerial practices on a company?